بسمرالله الرَّحْمَن الرَّحِيمِ

الحمد لله والصلاة والسلام على نبيا محد وعلى آله وصحبه وسلم وبعد :-

I am grateful to the Oxford Center for Islamic studies for inviting us all here today and I commend them for the difference they already making in academia and thank you very much Dr. Basil Mustafa for your generous introduction.

It is indeed a great honor to address you, Ladies and Gentlemen on the subject of Islamic banking in the West, a subject most of you are probably more capable of talking about than myself simply because you are closer to it.

I believe, there are two angles to looking at Islamic banking in the west and therefore addressing the issue of its global growth. The first angle is how the west contributed to the development of the concept and institutions of Islamic banking and the second angle is to survey though in a cursory manner of Islamic banking development in western countries.

As for the first, there is no question that western institutions and individuals contributed significantly to the development of Islamic banking, since the very first day.

As you know the first Islamic bank was established in 1975, in Dubai. Without much delay. Western banks entered the field in that very decade. As early as 1980 Citibank was already one of the major players in the field of Islamic banking. Later, that interest developed into establishing a dedicated Islamic bank with a separate license, a model soon to be followed by other major western banks.

In the field of Islamic investment, one of the first Islamic fund and the first ever Islamic equity investment fund was floated in the year 1988 again by a western institution. Credit Swiss was the first to develop what was later known as the Islamic screens to select company shares based on a pioneering program and criteria developed by a Shari'ah board appointed by CS for this purpose.

That fund was unexpectedly wound down in 1990 as most gulf investors drew their funds after the fall of Kuwait in the hands of Saddam.

But the concept was soon to be picked by yet another western institutions namely Wellington Management in Boston in association with NCB and soon after by the Dow Jones Indexes which now issues numerous Islamic Market Indices built on a similar program with screens developed by Dow Jones Shari'ah Board.

Western contributors to the development of Islamic banking are not confined to banks, but also academics. As a new concept, Islamic banking attracted the interest of students of finance very early. In fact what can be considered the first articulation of the model of an Islamic bank was written by a university of Pennsylvania Muslim student in 1951. There is now a voluminous literature on Islamic banking written by specialists in colleges and universities in western universities some of them dedicated themselves to research in Islamic banking and finance. Theses on Islamic finance are completed every year and degrees are honored in colleges across Europe, U.S & Canada on subjects relating to the theoretical and practical aspects of Islamic banking. In some universities there are academic chairs on Islamic economic and finance. I believe the west contributed to the development of Islamic banking so

much, I believe the west has just as much claim as

the world of Islam does.

As for the second angle, Islamic banking in the west

began as a service to Muslims living in the west, and

so far caters principally to Muslims.

Muslim minorities in the west shared with the main

body of the Muslim Ummah the keen desire to rid

them of usurious transactions. Therefore the efforts

by Muslims in the west to develop an alternative was

going in tandem with development in Muslim

countries. However, as citizens of western countries

the best they could do then was simply refrain from

banking altogether or at least reduce their contacts

with conventional banking to the minimum.

Nevertheless, as more and more immigrants start

having children and families, and the need to own

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homes became very critical a solution became a must. Most were reluctant to involve themselves with interest based finance no matter how dire the need is. Therefore a group of bankers and businessmen who are Muslim citizens of western countries decided to do something about it. In early 1980's we witnessed several projects especially in America the purpose of which is to provide housing finance on interest free basis. This can be considered the first Islamic banking to spring in the west. Most of these projects could not survive beyond the close of the decade of 1980's due to adverse movement in the real-estate market which rendered some Islamic modes of finance impractical. But they brought to light an inert purchasing power in the hands of the now becoming affluent Muslim professional which immediately captured the interest of major conventional banks.

Interest free housing finance was developed firstly in Britain. It was possible for Muslims to get credit towards owning their homes on the basis of Murabaha, Musharakah or Ijarah. HSBC though not the first, but quickly became a leader in this field. Amanah, which is the HSBC arm for providing Islamic finance globally is now going beyond Britain to the U.S. and other western countries where there are Muslim minorities. Housing finance is the backbone of Islamic banking in the west, it is the core

Britain has always been a leader in this field. In addition to the far reaching British involvement in all the major development in Islamic banking, there are now full fledged Islamic banks in this country catering solely to local Islamic banking demand.

In fact. Britain was leading in another area essential to the development of Islamic banking in the west.

That is creating a legal environment that is more conducive to the growth of Islamic banking. Regulators are now looking sympathetically to these needs. For example, because modes of housing finance include a purchase by the bank and sale to the client this meant double stamp duty. This renders Islamic mortgage too expensive for most customers. But it was possible to convince the regulators that, though these are a true sale contracts, the purpose remains financing house ownership. It was changed.

Islamic banking gathering in the west at probably the same base as it does in the Muslim countries. The U.S. there are now several institutions offering housing finance, managing Islamic investment funds as well leasing companies catering to Muslims.

Not everything is rosy for Islamic banking in the west. The area of dispute settlement remains a very formidable one.

Despite the fact that Islamic banking agreement always state very clearly that dispute settlement must not violate Shari'ah rules, Courts in the west are yet to recognize the uniqueness of Islamic banking contracts. Recent court judgment in Britain has shown that stating that the contract is governed by Shari'ah may not have much consequence on the final outcome of a dispute settled in the court.

While the Rome convention, to which Britain and other European countries are signatories permits litigation in the courts of one country under another legal system, to be recognized as a legal system, Shari'ah must be the law of the land in at least one country.

It is, of course. But the problem is that it is yet to be

codified, and therefore as it stands Shari'ah doesn't

lend itself very easily as basis of dispute settlement

under non Shari'ah courts.

Speaking about Islamic banking in the west will not

be complete with highlighting the important role

Islamic banking now plays as a bridge between Islam

and West.

I believe the unprecedented growth in Islamic

banking both in Muslim countries and the West after

9/11 came as an answer to the atrocities committed

by fanatics who seek nothing more than creating a

schism between Islam and the West.

Now Islamic banking is one of the strongest forces

nurturing a mutually beneficial interrelationship that

will eventually go beyond just dollars and cents. One

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that will help integrate Muslims into the world financial system. It will further help solve problems relating to integrating Muslim immigrants into the local culture and the main stream of their countries of citizenship.

So far we have been talking about Islamic banking as a niche a small component of the immense economics of the west. It is so because no matter who is the provider of the services, Islamic banking in the west caters at the end of the day to Muslims.

This is not how we Muslims view the whole matter. We sincerely believe that Islamic banking is truly good for everybody regardless of religion, simply because we believe Islam itself is goodness to the whole world just as our Prophet Muhammad (PBUH) was sent as a mercy to all and everyone.

We believe an Islamic banking system based on the virtue of justice and mutual help and equality should rule supreme over all other alternative systems. If not so will at least have an influence on the development and process of change of other systems towards more justice and equality. The pioneers of Islamic banking had a vision of the new system. An important part of it was eradication of poverty by availing equal opportunity and access to capital.

We are yet to see this. We are still hopeful. Islamic banking has developed gradually has taken a step by step progression. You may think the vision of these pioneers is a far cry from Islamic banking as we see it today. It may be is. But I assure we never moved our eyeballs from that vision.

I would like to conclude with a quote from a speech of a former Harvard business school professor, who is now part of the _____ Islamic banking. He said Islamic banking is a superior form of banking too bad it was called Islamic end quote surprisingly enough it was not called Islamic in the early days. It was called interest free banking.

Thank you